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Prepared Remarks of Congresswoman Maloney for Financial Services Hearing on Credit and Mortgage Markets

WASHINGTON – Congresswoman Carolyn B. Maloney (D-NY), Chair of the Financial Institutions Subcommittee, delivered the following remarks today at a Financial Services Committee hearing, *Recent Events in the Credit and Mortgage Markets and Possible Implications for U.S. Consumers and the Global Economy*:

“Thank you Chairman Frank for holding this hearing on one of the biggest financial stories of the year and one of the most important issues confronting this nation - the turmoil in the credit and mortgage markets and its impact on consumers.

“After Hurricane Katrina, over 300,000 people lost their homes. About 10 times as many people may lose their homes to foreclosure due to the subprime crisis. The response from the administration has been slow. Therefore, I was pleased to see the President’s announcement last week. His proposed changes at FHA to provide refinancing options to more homeowners and help borrowers by refinancing them into FHA loans is an important first step.

“I also support the legislative fix to change tax law so that cancelled mortgage debt is not treated as income. Individuals facing foreclosure should not get the double whammy of paying taxes on the loss in value of their home. These are helpful actions that Congress can take immediately. But it is not enough.

“Another item that can be achieved quickly is GSE reform. Fannie Mae and Freddie Mac are providing much needed liquidity in the prime market right now. If there was ever a time when they should expand their activities it is now. We need to raise the ceiling on the amount of mortgage that can be refinanced with federal insurance. We passed a GSE reform bill in the House. It needs to pass the Senate, or the administration needs to take action to raise the limit.

“I have always said that markets depend as much on confidence as on capital. Right now, there is a loss of confidence in rating agencies, and they deserve it. Large amounts of debt that are, or have been, rated highly are headed for default. As with Enron, the rating agencies have been dead wrong. Investment guidelines and capital standards need to be more accurate. We need to review the way ratings agencies are compensated by their clients and look for ways to strengthen regulatory oversight of these agencies.

“We also need a uniform national standard to fight predatory lending. We need to set a single consumer protection standard for the mortgage market.

“We have a great deal to do and I look forward to your testimony.”

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